

## Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AID-05 CEA-01 CIAE-00 COME-00  
EB-07 FRB-03 INR-07 NSAE-00 CIEP-01 SP-02 STR-04  
TRSE-00 LAB-04 SIL-01 OMB-01 AGRE-00 L-03 H-01 /066 W  
-----210256Z 117693 /63

R 201608Z JAN 77

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 2816

INFO ALL EC CAPITALS 3005

USMISSION GENEVA

USDEL MTN GENEVA

USMISSION OECD PARIS

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PASS AGRICULTURE ELECTRONICALLY

E.O. 11652: N/A

TAGS: EAGR, EEC

SUBJECT: EC SUBSIDIES FOR THE USE OF NFDM AND LIQUID SKIMMED MILK  
FOR FEED

REF: (A) 69 EC A-9, (B) 76 EC BRUSSELS 11054, (C) 76 EC A-202,  
(D) 76 EC A-211, (E) 76 EC BRUSSELS 10922, (F) 76 EC BRUSSELS 11523

1. SUMMARY. THE COMMISSION HAS PROPOSED NEW SUBSIDY PROGRAMS  
PROMOTING  
THE USE OF NFDM IN PIG AND POULTRY FEED AND OF LIQUID SKIMMED  
MILK IN PIG FEED. THESE PROGRAMS WOULD INVOLVE FEEDING OF ABOUT  
3 MILLION TONS OF LIQUID SKIMMED MILK (EQUIVALENT TO ABOUT 275,000  
TONS OF NFDM) AND 150,000 TONS OF NFDM ANNUALLY AT AN ESTIMATED  
COST OF 285 MILLION U.A. INCREASE IN FEED USE OF THESE PRODUCTS  
WOULD COME PREDOMINANTLY AT THE EXPENSE OF PROTEIN CONCENTRATES.  
END SUMMARY.

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2. THE COMMISSION HAS SUBMITTED TO THE COUNCIL A PROPOSED REGULATION  
PROVIDING FOR A NUMBER OF CHANGES IN EC RULES GOVERNING THE PAYMENT  
OF A SUBSIDY FOR THE USE OF LIQUID SKIMMED MILK AND NFDM IN  
ANIMAL FEED. THE MOST IMPORTANT CHANGES WHICH WOULD BE INTRODUCED  
BY THE PROPOSED REGULATION, WHICH AMENDS COUNCIL REGULATION NO.  
986/68 (REF A), ARE AS FOLLOWS:

A. THE REGULATION WOULD PROVIDE FOR "HIGHER LEVELS OF AID" FOR SKIMMED MILK USED FOR FEEDING PIGS AND DELIVERED TO PIG BREEDERS AND FOR NFDM OR LIQUID SKIMMED MILK USED IN THE MANUFACTURE OF PIG AND PULTRY FEED. EC RULES NOW PROVIDE THAT THE SUBSIDY FOR THE USE OF NFDM FOR FEED USE MUST BE SET WITHIN A RANGE OF 33-43 U.A./100 KG.; IT IS CURRENTLY FIXED AT 38 U.A./100 KG. ALSO, WITHIN THE FRAMEWORK OF THE COMPULSORY PURCHASE SCHEME, SALES ARE PERMITTED WITH AN EFFECTIVE SUBSIDY OF ABOUT 75 U.A./100 KG. (REF B). HOWEVER, THIS SPECIAL ARRANGEMENT IS DUE TO END BY 1 FEB 77.

B. THE REGULATION WOULD PROVIDE FOR THE PAYMENT OF SUBSIDIES FOR THE FEED USE OF CONCENTRATED SKIMMED MILK (WITH A MOISTURE CONTENT OF NOT MORE THAN 50 PERCENT AND NOT LESS THAN 35 PERCENT)--TO CORRESPOND TO THE SUBSIDY PAID FOR LIQUID SKIMMED MILK.

3. THE PROPOSED REGULATION ALSO WOULD SET A MAXIMUM MOISTURE CONTENT OF 5 PERCENT FOR NFDM ELIGIBLE FOR SUBSIDIES FOR FEED USE. IT STATES THAT SUBSIDIES FOR THE USE OF LIQUID SKIMMED MILK (INCLUDING CONCENTRATED) IN COMPOUND ANIMAL FEEDS SHOULD BE EQUAL TO THE SUBSIDY WHICH WOULD BE GRANTED FOR THE QUANTITY OF NFDM THAT COULD HAVE BEEN OBTAINED FROM THAT QUANTITY OF SKIMMED MILK. FINALLY, THE PROPOSED REGULATION WOULD PERMIT CONTINUATION OF THE 60 PERCENT MINIMUM INCORPORATION REQUIREMENT FOR NFDM SUBSIDIZED FOR USE IN CALF FEED (REF C). THIS REQUIREMENT, WHICH WAS INTRODUCED IN APRIL 1976, WAS ORIGINALLY LIMITED TO THE 1976/77 MARKETING YEAR.

4. THE COUNCIL IS BEING ASKED TO APPROVE HIGHER SUBSIDIES FOR THE FEEDING OF LIQUID SKIMMED MILK AND NFDM IN PRINCIPLE. THE AMOUNT OF THE SUBSIDY OR THE QUANTITIES WHICH THE COMMISSION INTENDS TO LIMITED OFFICIAL USE

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DISPOSE OF THROUGH THESE PROGRAMS ARE NOT SPECIFIED IN THE REGULATION; HOWEVER, IN A "FINANCIAL STATEMENT" ATTACHED TO THE PROPOSAL, THE COMMISSION ESTIMATES THAT THE PROPOSAL WOULD ENTAIL A COST OF 285 MILLION U.A. PER YEAR TO THE EC BUDGET. OF THIS AMOUNT, 171 MILLION U.A., WOULD RESULT FROM THE COST OF SUBSIDIZING LIQUID SKIMMED MILK FOR PIG FEEDING; THE COMMISSION HOPES TO SELL ABOUT 3 MILLION TONS OF LIQUID SKIMMED MILK WITH A SUBSIDY OF 57 U.A. PER TON. CURRENTLY THE SUBSIDY FOR FEEDING OF SUCH MILK IS 40 U.A./M.T. (REF D). TOTAL USAGE OF LIQUID SKIMMED MILK OR FEED IS ESTIMATED AT ABOUT 3.5 - 4 MILLION TONS IN RECENT YEARS; THE COMMISSION REPORTEDLY HOPES TO INCREASE TOTAL USAGE BY ABOUT 1 MILLION TONS (EQUIVALENT TO ABOUT 92,000 TONS OF NFDM) BY MEANS OF THE NEW SUBSIDY FOR PIG FEEDING.

5. THE ANNUAL COST OF THE SUBSIDY PROGRAM FOR USE OF NFDM FOR PIG AND POULTRY FEED IS ESTIMATED AT 114 MILLION U.A.--BASED ON THE DISPOSAL OF 150,000 TONS OF NFDM WITH A SUBSIDY OF 760 U.A./MT.T. IN OUR VIEW, BOTH THE INCREASE IN FEED USE OF LIQUID

SKIMMED MILK AND NFDM WOULD COME PREDOMINANTLY AT THE EXPENSE OF PROTEIN CONCENTRATES.

6. THE "FINANCIAL STATEMENT" ESTIMATES EXPENDITURES OF 285 MILLION U.A. PER YEAR FOR THE YEARS 1978-1980 (235 MILLION U.A. FOR 1977), INDICATING THAT THE PROGRAM IS CONCEIVED AS A LONG-RANGE ONE. COPA OFFICIALS TELL US THAT FEED COMPOUNDERS AND LIVESTOCK PRODUCERS ARE LIKELY TO MAKE THE TECHNICAL ADJUSTMENTS NECESSARY TO ASSURE THE SUCCESS OF THE PROGRAM ONLY IF THEY FEEL THAT THE PROGRAM WILL CONTINUE OVER SEVERAL YEARS.

7. WE ASKED THE COMMISSION WHY THEY ARE SEEKING COUNCIL APPROVAL OF SUBSIDIZED SALES OF NFDM. IN THE PAST CERTAIN COMMISSION OFFICIALS HAVE TOLD US THAT THE COMMISSION HAS ALREADY BEEN DELEGATED THE NECESSARY AUTHORITY TO INITIATE SUCH SALES (REF E). AN OFFICIAL IN THE COMMISSION'S DAIRY DIVISION SAID THAT THE LEGAL BASIS FOR COMMISSION ACTION IN THIS AREA WAS QUITE NARROW. FURTHERMORE, THE LIMITED OFFICIAL USE

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NUMEROUS CHANGES MADE IN THE BASIC REGULATION MADE IT ADVISABLE TO CLARIFY THE COMMISSION'S AUTHORITY. HINTON

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## Message Attributes

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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009